FARM CREDIT ADMINISTRATION
COOPERATIVE DIVISION
WASHINGTON, D.C.

COOPERATIVE PURCHASING OF FARM SUPPLIES IN OREGON - 1933

BY

JOHN H. LISTER
AGRICULTURAL ECONOMIST

Research, Service, and
Educational Series

MISCELLANEOUS
REPORT NO. 3

AUGUST, 1935

FARM CREDIT ADMINISTRATION
Washington, D. C.

COOPERATIVE PURCHASING OF FARM SUPPLIES IN OREGON - 1933

By John H. Lister, Agricultural Economist, Cooperative Division 1/

CONTENTS

	Page
Summary	1
Introduction.	4
Characteristics of associations studied. . .	9
Membership.	10
Capital stock	11
Sales and net earnings . . .	12
Patronage dividends.	15
Cooperative oil associations	15
Feed purchasing associations	19
Associations handling miscellaneous supplies . .	23

SUMMARY

In the spring of 1934, information was obtained from 31 cooperative associations in the State of Oregon, with reference to the purchase of farm supplies for their members during 1933. The following report is based upon this survey. It is not presented as a detailed technical analysis of cooperative activities in the purchase of farm supplies in Oregon, but as a general statement of the nature and extent of these activities and an indication of the possible advantages to patrons of cooperative purchasing associations.

With the exception of a few small local units, all of the associations handling farm supplies were included in this study. Nineteen organizations limited their activities to purchasing, and 12 were farmer's cooperative marketing associations which handled supplies as an additional service. Ten of the 31 associations specialized in petroleum products and related supplies; 12 specialized in feed and seed; and 9 handled miscellaneous farm and packing supplies, such as box shook, grain bags, fertilizer and farm implements. By April, 1935, the number of cooperative oil associations in Oregon had increased to about 30. Also the Washington Grange Supply Cooperative had begun distribution of petroleum products in Oregon.

1/ It is desired to acknowledge the helpful cooperation of the managers of the associations studied, and of the staff of the Oregon State Agricultural College. The author is particularly indebted to George O. Gatlin, deceased, formerly Extension Economist (Marketing), of the Oregon State Agricultural College.

Most of the associations were located in the Willamette and Columbia River Valleys, where the greater part of the farming operations of the State are carried on.

The Pacific Cooperative Poultry Producers, with headquarters at Portland, was the only association in the State which operated on a state-wide basis. All others were local or county-wide associations, operating in single communities or in areas comprising one or more counties. Several of these local organizations, as well as the state-wide association, operated branch distributing warehouses to facilitate distribution to members located at considerable distance from the main warehouses.

Twenty-six of the 31 associations were incorporated under the cooperative law of Oregon. Twenty-one were capital stock organizations, and five were nonstock or membership associations. Three associations were organized under the general corporation law of Oregon, two of these before the cooperative law came into existence. Only two of the 31 associations were unincorporated. These were local groups of farmers who purchased supplies cooperatively in carload lots and hauled their individual orders direct from the car door to their farms.

These 31 cooperatives had a total of 13,690 members. Oil associations had 1,637 members, feed associations had 7,831 members, and associations handling miscellaneous supplies had 4,222 members.

The Oregon cooperative law provides that only agricultural producers are eligible to membership in farmers' cooperative associations. Several of the associations organized under this act, however, limited eligibility to certain classes of agricultural producers such as graingrowers, poultrymen and fruit growers. Most of the associations having such restrictions operated primarily as marketing organizations. Two of the three cooperatives organized under the general corporation law also had limitations as to membership. In one, the ownership of common stock was limited to members of a certain berry-growers' association, in another to Oregon cheese factories.

The total sales of 30 of the 31 associations 2/ during 1933 amounted to \$2,022,643, distributed as follows: Oil associations, \$135,825; feed associations, \$1,237,464; associations handling miscellaneous supplies, \$649,354. The smallest volume of sales reported by any of the associations was about \$2,700. This was a cooperative oil company which had been in operation less than 3 months. The largest association in the State distributed \$430,903 worth of supplies during 1933.

2/ Operating data for one small oil association were not available, because of the loss of the records by fire.

The net earnings during 1933 for 30 associations, after losses of $1,045 for two associations had been deducted, totaled $106,310, or about 5.3 percent of sales. One large association handling miscellaneous supplies had earnings amounting to $37,046. The average earnings for oil associations amounted to 7.4 percent of sales; those of the feed associations to 3.1 percent of sales, and those of the associations handling miscellaneous supplies to 9 percent of sales.

Patronage dividends amounting to $45,593 were paid by 9 of the 30 associations during 1933. In some associations earnings were insufficient to justify the payment of patronage dividends. In others the operating and pricing methods were such that no earnings were possible. Associations which showed net earnings but paid no net patronage dividends retained these amounts for operating purposes or contingencies. Of the total patronage dividends paid, about $3,885 was paid by oil associations, $1,975 by feed associations, and $39,733 by associations handling miscellaneous commodities.

Pricing policies, as a rule, were based on local competitive situations. In some instances prevailing local prices were charged and net earnings were distributed as patronage dividends. In others, prices were based on cost of goods plus a margin sufficient to cover operating costs.

Few losses from bad accounts were found. The policy of extending credit only to selected risks was generally followed.

About two thirds of the cooperative supply purchasing business in the State was handled by associations operating as both purchasing and marketing agencies. This indicates that such combination of cooperative services has been found to be of practical value in the State.

Most of the associations handling farm supplies were local ones; the Pacific Cooperative Poultry Producers was the only one found operating on a state-wide basis. The Pacific Supply Cooperative, with headquarters at Walla Walla, Wash., a wholesale bargaining and buying organization for about 40 member oil associations in Oregon, Idaho and southeastern Washington, however, began operation and served several member associations in Oregon during the last 6 months of 1934.

Practically all of the feed associations in Oregon grind and mix their own feed. The fact that associations in this group made average earnings of only 3.1 percent of sales in 1933 suggests the desirability of further study of the feed situation and the possibilities of regional or State wholesale cooperative feed buying service.

INTRODUCTION

This survey covers the operations of the cooperatives handling farm supplies in Oregon. It is designed to show how these associations are set up, their corporate and financial structures, methods of operation and, in a general way, their accomplishments. It is not a detailed technical analysis of the operations of these organizations. In fact, it is difficult to obtain sufficient directly comparable data on so small a number of associations to serve as a basis for statistical analysis of the various factors that determine business efficiency. It is possible, however, from the general information obtained and summarized herein to form a fairly accurate idea of the service and satisfaction afforded members by these cooperatives. This information may be useful in the establishment of new cooperative purchasing associations and in the improvement of the operating methods of existing organizations.

Oregon farmers first attempted to purchase farm supplies cooperatively about 25 years ago. Most of these early activities were carried on in connection with associations whose principal function was marketing. Cooperative purchasing associations have shown a steady increase in the State since 1920; the most rapid development has materialized since 1930. The Oregon purchasing associations are of different kinds and handle a variety of supplies. Of the 31 organizations studied, 30 were local or county-wide units. A few of these local associations operate from one to four branch warehouses at different points in the State. The only state-wide association, the Pacific Cooperative Poultry Producers, operates a main office and mill in Portland and branch distributing warehouses at Astoria, Albany, Eugene and Roseburg, Oregon.

The information upon which this report is based was obtained by personal visits to each of the 31 associations during the spring of 1934. Data were obtained from books and records of the associations covering the year 1933, and through personal interviews with the managers, directors and other officials. Of the associations studied 19 performed only the purchasing functions. The remaining 12 were purchasing departments of cooperative marketing organizations.

With the exception of a few local units, all of the cooperative purchasing associations in Oregon were included in this survey. Most of the associations studied are located in the Willamette and Columbia River Valleys. (Figure 1.) It will be noted that there are no associations in the central and southeastern parts of the State which are devoted largely to the production and grazing of sheep and cattle.

The oldest organization now existing in the State, the Eugene Fruit Growers Association, Eugene, Oregon, was organized in 1907, as a non-profit, general corporation. It was started primarily as a processing

COOPERATIVE ASSOCIATIONS PURCHASING FARM SUPPLIES IN OREGON, SPRING OF 1934

AND TYPE-OF-FARMING AREAS IN OREGON

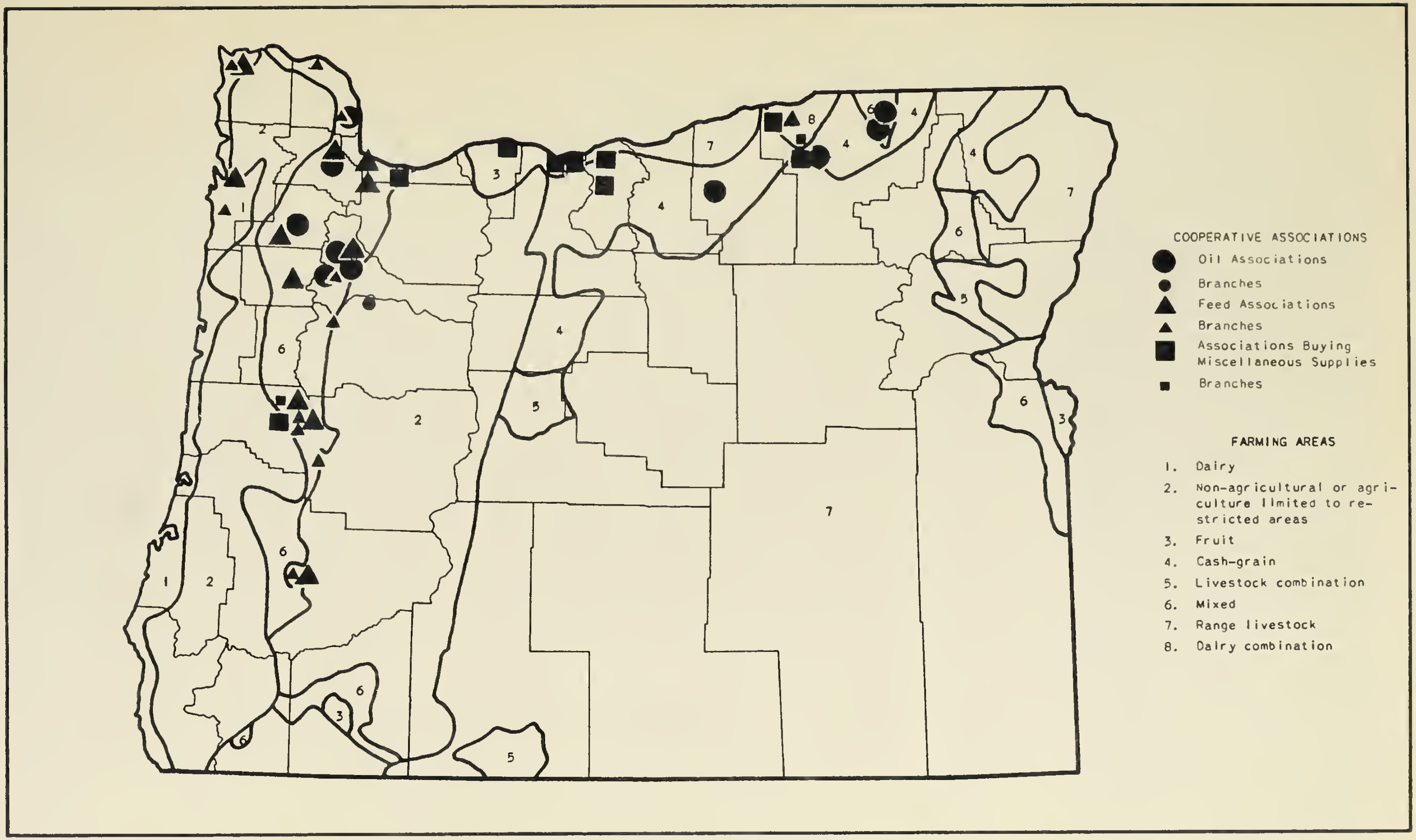

Figure 1.- Most of the associations which handle farm supplies in Oregon are located in the Willamette Valley in the western part of the State and along the Columbia River in northern Oregon. Thirty-one associations were operating in those areas in 1934. In addition to the main plants, these 31 cooperatives operated 13 branch plants. The farming areas are based on "Type-of-Farming Areas in the United States: 1930", a map prepared by the Bureau of Census, U. S. Department of Commerce, in cooperation with the Bureau of Agricultural Economics, U. S. Department of Agriculture.

and marketing association for fruits and vegetables, but it has handled farm supplies since it was organized. The Tillamook County Creamery Association was organized in 1909 as a general corporation to market cheese. The membership of this corporation consists of cheese factories in Tillamook County, a number of which are cooperatives and the others general corporations. Since about 1921, this organization has handled supplies for the patrons of its member cheese factories. The Apple Growers Association of Hood River, which was organized in 1913 to market fruit, has handled supplies since 1916. Several of the associations were started by such State farm organizations as the Farmers' Union, Farm Bureau, and Grange. General information relating to these associations, grouped according to principal supplies handled, is shown in table 1.

Table 1. -- General information on associations studied

Name of organization	Location	Kind of association	Number of common stockholders or members	Year of organization	First year supplies were handled	Branch distributing points
Oil associations:						
Washington County Farmers Union Oil Company, Inc.	Hillsboro	Local purchasing	125	1933	1933	
Morrow Oil Company	Lexington	" "	146	1931	1931	
Farmers Cooperative of Yamhill County	McMinnville	" "	265	1932	1934	
Twin City Oil & Gas Company	Milton	" "	220	1933	1933	
Marion County Farmers Union Oil Company	Mt. Angel	" "	56	1933	1933	
Umatilla Oil Company	Pendleton	" "	45	1931	1933	
Columbia Farmers Cooperative Oil Company	St. Helens	" "	80	1932	1934	
Farmers Union Oil Company of Polk County	Salem	" "	172	1932	1932	
Valley Farmers Cooperative Oil Association	Silverton	" "	474	1933	1933	Stayton, Oreg.
Blue Mountain Gas Company	Weston	" "	54	1932	1933	
Feed associations:						
Lower Columbia Cooperative Dairy Association	Astoria	Local marketing and purchasing	1,300	1922	1928	Clatskanie, St. Helens, Oreg. and Grays River, Wash.
Polk County Farmers Cooperative Warehouse Company	Dallas	Local purchasing	67	1916	1916	

Name of organization	Location	Kind of association	Number of common stockholders or members	Year of organization	First year supplies were handled	Branch distributing points
Feed associations - Continued:						
Lane County Farmers Union Cooperative Warehouse Co.	Eugene	Local purchasing	237	1923	1923	Cottage Grove and Eugene, Oreg.
Farm Bureau Cooperative of Hermiston	Hermiston	" "	750	1924	1924	
Junction City Cooperative Exchange	Junction City	" "	55	1920	1920	
Mt. Angel Farmers Union	Mt. Angel	" "	50	1930	1930	
Dairy Cooperative Association	Portland	Local marketing and purchasing	1/1,890	1929	1933	Salem, Oreg.
Pacific Cooperative Poultry Producers	Portland	State-wide marketing and purchasing	2/2,448	1920	1932	Astoria, Albany, Eugene and Roseburg, Oreg.
Douglas County Farm Bureau Cooperative Exchange	Roseburg	Local purchasing	147	1921	1921	
Sheridan Grain Company	Sheridan	" "	68	1931	1932	
Tillamook County Creamery Association	Tillamook	Local marketing and purchasing 3/	19	1909	1921	Cloverdale, Oreg.
Washington County Farmers Educational & Coop. Union	West Union	Local purchasing	800	1933	1933	
Miscellaneous associations:						
Eugene Fruit Growers Association	Eugene	Local processing, marketing and purchasing	4/1,979	1907	1907	Junction City, Oreg.
Gresham Berry Growers, Incorporated	Gresham	Local processing, marketing and purchasing 5/	200	1921	1921	
Apple Growers Association	Hood River	Local marketing and purchasing	6/1,000	1913	1916	

Name of organization	Location	Kind of association	Number of common stockholders or members	Year of organization	First year supplies were handled	Branch distributing points
Miscellaneous associations - Continued:						
The Dalles Cooperative Growers	The Dalles	Local processing, marketing and purchasing	97	1924	1924	
Moro Grain Growers Association	Moro	Local marketing and purchasing	75	1930	1930	
Pendleton Grain Growers, Incorporated	Pendleton	Local marketing and purchasing	7/ 163	1930	1930	
Wasco County Grain Growers Association	The Dalles	Local marketing and purchasing	89	1930	1930	
Sherman Cooperative Grain Growers	Wasco	Local marketing and purchasing	119	1930	1930	
Grange Cooperative	Hermiston	Local purchasing	500	1929	1929	Stanfield, Oreg.

1/ About 1,000 purchased supplies in 1933.
2/ About 900 purchased supplies in 1933.
3/ Nineteen cheese factories in Tillamook County own the common stock of the Tillamook County Creamery Association. These 19 stockholders have about 750 members and stockholders. Supplies handled by the association were sold to members of the cheese factories and about 100 nonmembers.
4/ About 1,175 purchased supplies in 1933.
5/ About 800 patrons but only 200 of them owned stock.
6/ About 650 patronized the supply department.
7/ About 125 purchased supplies in 1933.

Most of the feed associations were started during the period from 1920 to 1930, as shown in table 1, while the oil associations have been organized since 1931. The greatest development of associations classified as "miscellaneous" took place after 1920.

CHARACTERISTICS OF ASSOCIATIONS

The Pacific Cooperative Poultry Producers, with headquarters in Portland, a marketing association of the centralized type, is the only cooperative in Oregon handling farm supplies on a state-wide basis. Supplies are handled as a side-line activity and are distributed from the association's mill and warehouse in Portland and from its branch warehouses at Astoria, Albany, Eugene and Roseburg. Of the 30 other associations, 23 were single unit, single community establishments; and seven operated in one or more counties. Some of the county-wide organizations, as indicated in table 1, operated branch warehouses in addition to their main plants.

Ten of the associations covered in this study specialized in handling petroleum products and related supplies. None of these marketed farm crops. Twelve other associations handled feed and seed as their principal supplies. Four of this group were primarily marketing associations. The nine remaining associations handled miscellaneous supplies such as box shook, orchard supplies, grain bags, farm machinery, lumber, and in some cases small quantities of feed and petroleum products. Eight of these miscellaneous associations were marketing organizations which handled farm supplies.

The associations in the northeastern part of the State, along the Columbia River, handled principally oil and miscellaneous supplies for grain growers and fruit growers in that area (figure 1). In the northwestern quarter of the State, where agriculture is quite diversified, the associations handled many different kinds of supplies, principally feed and petroleum products.

According to the Oregon cooperative law, only producers of agricultural crops are eligible to become members of farmers' cooperative associations. The law also provides that associations which purchase farm supplies shall not handle supplies for nonmembers greater in value than the supplies handled for members, and that not more than 15 percent of the total business may be done with nonfarmers. Cooperative associations organized under the cooperative law are not permitted to pay dividends in excess of 8 percent, on their common and preferred stock. Any refunds of earnings must be made on the basis of patronage.

The general corporation laws of Oregon do not limit associations in the above manner. There are no provisions regarding eligibility for membership or limitations on the rates of dividends which may be paid on capital stock. There are also no limitations on the amount of business that may be done with nonmembers or nonfarmers, and no provisions regarding the payment of patronage dividends.

Twenty-six of the 31 associations were organized under the cooperative law of Oregon, while three were incorporated under the general corporation law of the State, and two were unincorporated groups of farmers. The Eugene Fruit Growers Association, the Gresham Berry Growers, Incorporated, and the Tillamook County Creamery Association - all primarily marketing organizations - were organized as general corporations. These three associations observe in a general way the provisions of the cooperative law. The two unincorporated associations, the Mt. Angel Farmers Union and the Washington County Unit of the Farmers Educational and Cooperative Union of America, were community groups of Farmers Union members who combined their purchases in order to obtain greater purchasing power. These two unincorporated associations had no restrictions as to policies and methods of operation except those agreed upon by the members. One was managed by a purchasing agent selected from among the members of the association, and the other one by a purchasing board consisting of several members similarly selected. In neither case did the purchasing agent or board receive pay for its services. In both the work of the agent or board consisted of collecting money in advance for the supplies, placing orders, and notifying members at the time of delivery to come to the car door for their supplies.

MEMBERSHIP

The total membership of the 31 associations was 13,690 (table 1). The membership of the 26 associations which were organized under cooperative law totaled 10,292. This total included the number of common stockholders for capital stock associations and the number of members for incorporated nonstock associations. The three general corporations had 2,548 common stockholders, and the two unincorporated associations together had 850 members.

The membership fees of the seven associations not organized on a capital stock basis varied widely. One association charged $25 for life membership, two charged $10, two charged $1, and one made no charge for membership but required that its members belong to a certain general farm organization. One other association charged an annual membership fee of $2.50, part of which went to the support of a State farm organization. It is the usual policy of the associations to permit members to purchase capital stock or memberships on the partial payment plan -- that is, by making a down payment at the time of purchase and allowing patronage dividends to be applied on the unpaid balance until paid.

As already indicated, the Oregon cooperative law provides that only agricultural producers may be eligible for membership in farmers' cooperative associations. The articles of incorporation of several cooperatives included in this study contained provisions which further limited eligibility to certain classes of agricultural producers, such as grain growers, poultrymen, and fruit growers. Most of the associations having similar restrictions operated primarily as marketing organizations. Other associations, whose activities were confined entirely to the handling of

farm supplies, had no restrictions regarding eligibility except that the applicant be a farmer. Several of these, however, restricted membership to members of general farm organizations.

The eligibility requirements for ownership of common stock in the three associations organized under the general corporation law were restricted in one case to members of a certain berry-growers' association, in another to cheese factories in Oregon, while in the third there were no restrictions.

CAPITAL STOCK

The amount of capital stock issued by the stock associations varied widely according to the requirements of each association for facilities and operating capital. Most of the necessary capital was obtained from the sale of common stock alone but in a few instances preferred stock was issued. Several associations also borrowed money for capital purposes. The total outstanding common stock of the 24 capital stock associations, including the three general corporations and 21 cooperative corporations, was $639,706. The largest association, whose major function was the marketing of farm products, had common stock outstanding to the amount of $197,500. Another, also a marketing organization, had $90,000 of outstanding common stock. Some of the smaller associations that operated strictly as purchasing organizations required less capital and hence had smaller issues of common stock. For example, one of the most recently organized oil associations had only $800 worth of common stock outstanding. In another oil association the members had subscribed for $2,260 of common stock. It was agreed that this stock should be paid for through the application of patronage dividends. The working capital of this particular association was obtained by borrowing money on the security of a note endorsed by the members.

The authorized capitalization of each association was considerably larger than the amount of stock outstanding. The custom of providing for a large corporate structure when an organization is started, is usually followed by cooperative corporations because it permits expansion without requiring changes in the corporate documents.

Ten of the 24 capital stock associations were marketing organizations which handled farm supplies as a side-line activity. The common stock of these 10 associations totaled $587,580. The other 14 associations, which operated strictly as purchasing organizations, had common stock outstanding in the amount of $53,826, or an average of $3,845 per association. The par value of the common stock of the 14 purchasing associations organized with capital stock ranged from $50 per share to no par value per share. The most common value of stock was $10 per share.

Dividend rates on common stock of the cooperative corporations were limited by law to 8 percent per annum. The by-laws of several associations contained provisions which authorized the board of directors to determine the rate of dividend to be paid on common stock each year. In no case was it permissible to pay such dividends out of surplus.

Very few of the cooperatives have paid dividends on common stock since 1930. In 1933 only seven of the 24 capital stock associations paid dividends on their common stock. The rates paid by this group ranged between 4 and 8 percent. The other associations, because of small earnings or for other reasons, paid no common stock dividends. Their earnings were retained in the business for operating purposes or paid out in the form of patronage dividends.

Preferred stock was authorized by the articles of incorporation of 12 of the 24 capital stock organizations, but only four had used this method to obtain capital. The objection to the issuance of preferred stock was that it usually carried a fixed dividend rate, whereas dividend rates on common stock are usually not fixed but are dependent upon the earnings of the association, subject to the limitation by law to 8 percent. One association had retired all of its outstanding preferred stock in order to free itself from the obligation of paying fixed and cumulative dividends. The total preferred stock outstanding for the four above-mentioned associations amounted to $47,610. Only $9,270 of that total had been issued by associations which operated strictly as purchasing organizations. The other $38,340 was issued by one association which was primarily a marketing organization. The most common dividend rate on preferred stock was 7 percent. Three of the four associations paid that rate, while one paid 6 percent.

The articles of incorporation of most of the cooperative associations which authorized the issue of preferred stock provided that preferred stock might be sold to and held by anyone and that holders of such stock would be entitled to receive cumulative dividends at specified rates. Holders of preferred stock were usually entitled to no voting privileges, although in the event of dissolution they had prior rights to assets and although the by-laws of one association provided that preferred stockholders should have the right to vote on the basis of the number of shares held when preferred stock dividends became 2 years in arrears. Provision was usually made in the by-laws of the associations for retirement of the preferred stock at any time upon payment of the par value thereof and the amount of accumulated dividends which had been unpaid up to the date of redemption.

Three of the associations in the State had obtained part of their operating capital through loans from local banks or farmers. The total amount of such loans was $22,000. The prevailing interest rate on borrowings of this kind was 6 percent per annum, and the loans were secured by the assets of the three associations.

SALES AND NET EARNINGS

The total sales of supplies for 30 of the associations included in the study, amounted, for the year 1933, to $2,022,643. Sales data for one small oil association were not available because records of the association were lost in a fire. The largest association had sales amounting to $430,903, and the smallest, only $2,700. Of the total sales

SALES OF 30 COOPERATIVE ASSOCIATIONS PURCHASING FARM SUPPLIES IN OREGON, 1933

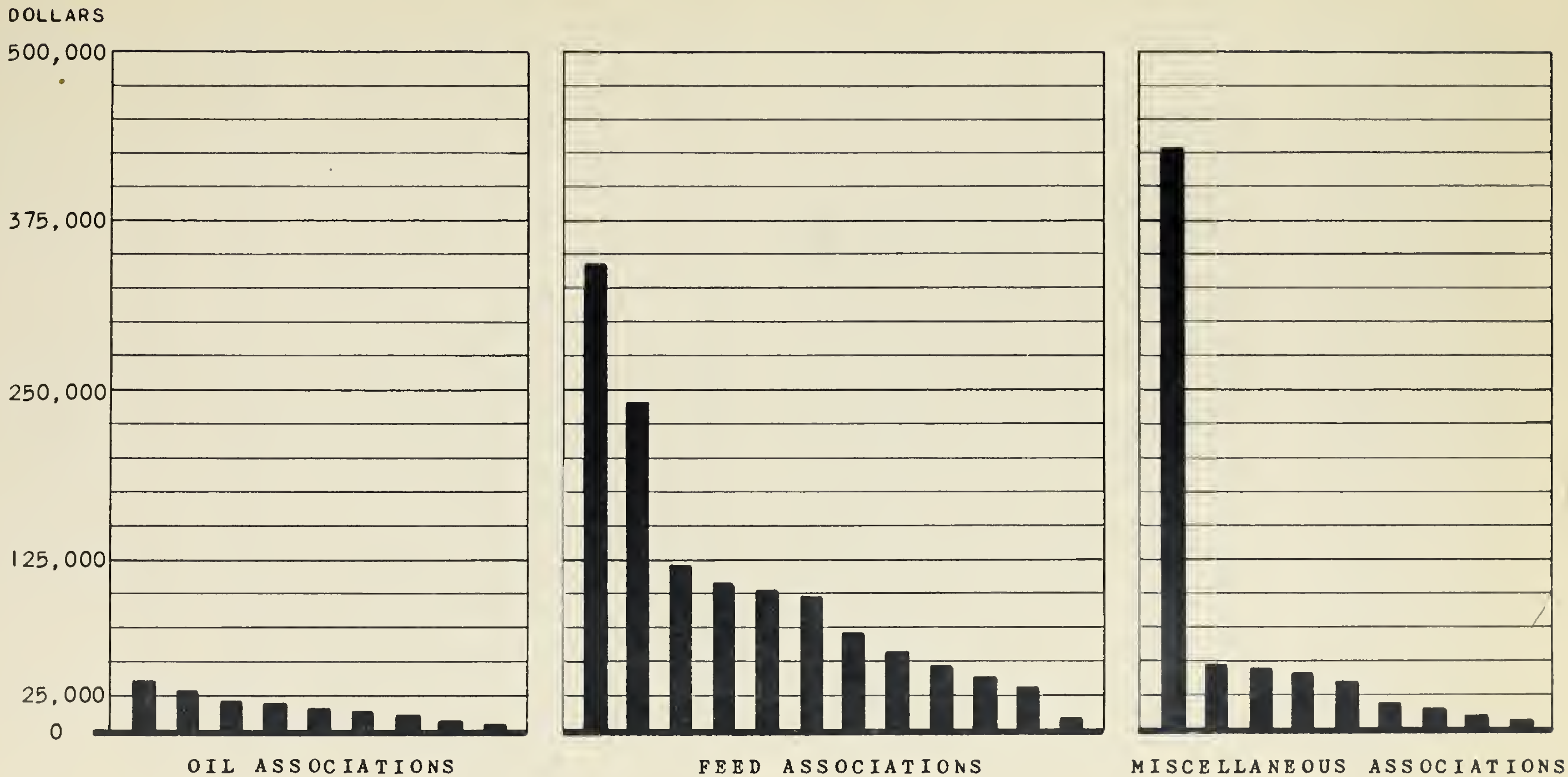

Figure 2 – The average volume of business handled by feed associations is usually somewhat larger than that of the associations handling oil and miscellaneous supplies. The small volume of business handled by oil associations is accounted for in part by the fact that most of these had been in operation for a short period, several for less than a year.

for all associations, $135,835 represented the sales of nine organizations in the oil group; $1,237,464, the sales of 12 feed associations; and $649,354, the sales of nine associations handling miscellaneous supplies 3/ (table 2 and figure 2). It will be noted that feed associations handled the bulk of the farm supplies purchased cooperatively in the State. The largest association from the standpoint of sales, however, was one which marketed fruit and handled miscellaneous supplies for its members.

Figure 3 shows the net earnings made by each of the associations during 1933. Earnings depend in part upon the method of pricing employed. Some organizations priced supplies low and gave the purchaser the benefit of the savings at the time of purchase. Others priced their supplies at prevailing competitive prices and returned the net earnings to their members or patrons at the close of the operating period. Associations using the former method usually showed small net operating earnings. No attempt has been made to indicate which type of price policy is to be preferred, for this would require a more comprehensive investigation than was possible. Nor is it to be assumed that either net earnings or savings otherwise returned to patrons is a final measure of the desirability of cooperative action in this field. The service of a cooperative association to its members may be to a large extent intangible, yet none the less satisfactory from their standpoint. For instance, the presence of a cooperative in a community may have an influence on the policies of competitive agencies. Moreover, the social aspects of cooperation are not to be minimized, though discussion of them cannot be included here.

The aggregate net earnings made on supply operations during 1933 by the 30 associations amounted to $106,310, or 5.3 percent of sales. Only two of the entire group showed losses. The net earnings per association ranged from a loss of $400 to a profit of $37,046. The group of organizations handling miscellaneous supplies showed the greatest earnings per dollar of sales, with an average of 9 percent. Earnings for the oil group amounted to $10,077, or 7.4 percent, and those for the feed group totaled $38,111, or 3.1 percent. Although the feed associations handled the largest aggregate volume of the three groups, their net earnings per dollar of sales was smallest. In connection with this low rate of net earnings for feed associations, it was pointed out that even though feed supplies were sold on a competitive basis, that basis usually had been established by the cooperatives on a much lower margin than that of privately owned agencies. Usually the larger part of the actual savings to patrons of associations of this type was in the price paid at the time of purchase.

Sales, net earnings, net earnings as a percentage of sales, and patronage dividends distributed, for each of the 30 associations in 1933 are shown in table 2.

3/ The value of crops marketed is not included in these data.

Table 2. - Sales, net earnings, and patronage dividends distributed by 30 cooperative associations purchasing supplies for farmers in 1933 1/

Kind of association	Sales	Net earnings	Net earnings as a percentage of sales	Patronage dividends paid
	Dollars	Dollars	Percent	Dollars
	29,335	2,405	8.1	985
	25,900	2/ none		
	20,000	1,800	9.0	1,200
9 Oil associations:	15,000	3/ 750	5.0	
	15,000	4/3,400	22.6	1,700
	11,934	5/ 800	6.7	
	11,437	637	5.6	
	4,519	135	2.9	
	2,700	6/ 150	5.5	
Total	135,825	10,077	7.4	3,885
	334,520	19,100	5.7	
	238,121	4,612	1.9	
	124,687	1,394	1.1	
	113,048	3,117	2.7	
12 Feed associations:	100,503	57	.1	
	90,200	(Loss) 645	(Loss) .7	
	73,600	7/ none		
	54,400	4,200	7.7	1,200
	46,800	8/2,587	5.5	
	28,990	9/2,000	6.8	
	28,310	10/1,559	5.5	775
	4,285	130	3.0	
Total	1,237,464	38,111	3.1	1,975
	430,903	37,046	8.5	36,744
	47,800	6,000	12.5	
	45,000	8,269	18.3	2,177
9 Miscellaneous	41,000	295	.7	512
associations:	33,550	4,200	12.5	
	23,300	1,500	6.4	300
	18,551	(Loss) 400	(Loss) 2.1	
	5,750	11/ 862	14.9	
	3,500	350	10.0	
Total	649,354	58,122	9.0	39,733
Total all associations	2,022,643	106,310	5.3	45,593

1/ Many associations reported in round numbers the figures pertaining to their operations.
2/ Started operations in August, 1933. Pricing based on costs.
3/ Six months ending April 30, 1934.
4/ Eight months ending May 1, 1934.
5/ Three months.
6/ Two and one-half months.
7/ Pricing based on costs.
8/ Includes profit or loss on farm crops marketed.
9/ Includes profit or loss on grain marketed.
10/ Six months ending March 31, 1934.
11/ Seventeen months ending May 31, 1933.

EARNINGS OF 30 COOPERATIVE ASSOCIATIONS PURCHASING FARM SUPPLIES IN OREGON, 1933

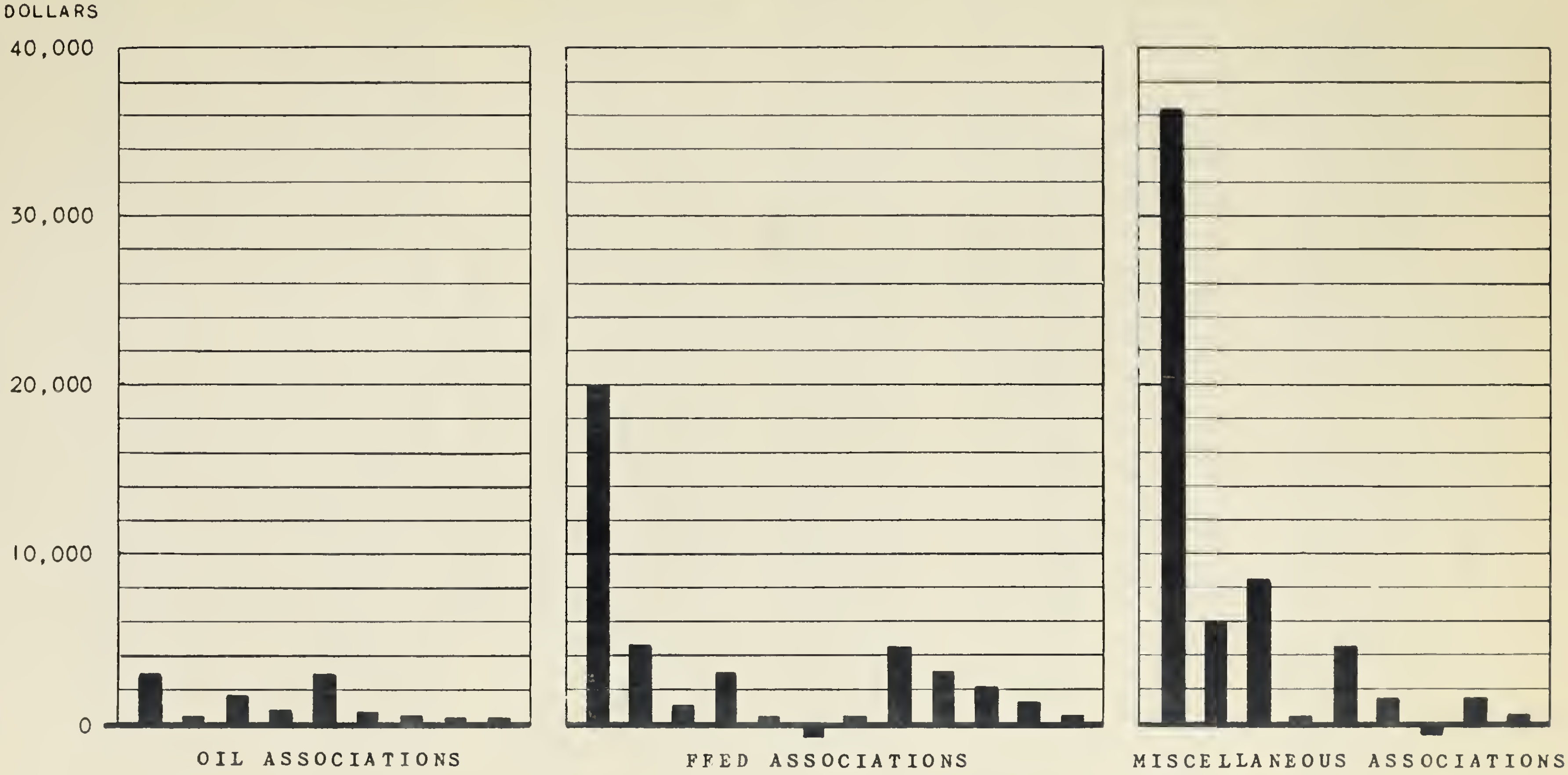

Figure 3 - The average earnings for the 30 associations amounted to 5.3 percent of sales. Average earnings of oil associations were 7.4 percent of sales; those of feed associations, 3.1 percent; and those of miscellaneous associations, 9 percent of sales. Two of the 30 associations showed small losses in 1933. (Associations are shown in this figure arranged in the same order as in Figure 2.)

PATRONAGE DIVIDENDS

It will be observed in table 2 that nine associations included in the study paid patronage dividends totaling $45,593 in 1933. The other 21 associations paid no patronage dividends. Aggregate patronage dividends paid by the different groups of associations were: Oil associations, $3,885; feed associations, $1,975; and miscellaneous associations, $39,733.

Some associations, especially in the oil group, had been operating less than one year at the time the data were gathered, and patronage dividends had not been paid although satisfactory earnings had been accumulated; however, plans had been made to pay patronage dividends at the close of the operating period. Some associations had such small earnings that no distribution of patronage dividends was deemed advisable, and the earnings were transferred to surplus or reserves. Two associations shown in table 2 suffered small losses during 1933, and two others showed no earnings because their methods of pricing made operating earnings impossible.

Referring again to table 2, it will be seen that only three associations in the oil group and only two in the feed group paid patronage dividends during 1933. The associations handling miscellaneous supplies contributed the bulk of the total patronage dividends paid. One association in the miscellaneous group paid patronage dividends amounting to $36,744, or about 80 percent of the total paid by all associations.

It was the general policy to pay patronage dividends only to members. As a rule, the earnings attributable to the business of nonmembers were retained by the association until a sufficient amount had been accumulated to enable the customer to purchase a share of stock or membership in the association. In order to induce patrons to become members, several associations paid patronage dividends to nonmembers at a rate equal to one half of that used in calculating members' returns.

COOPERATIVE OIL ASSOCIATIONS

The methods of operation employed by oil associations in Oregon varied from a simple form of group purchasing to a large-scale system of distribution through bulk stations. Each association confined its operations to a local community. Some were altogether bulk distributors while others distributed through both bulk and retail stations. Two associations operated entirely as bargaining groups; that is, they owned no equipment but bought gasoline to the best advantage in Portland or other main distributing points in the State and had it delivered by truck directly to their members' farms. One of these associations had a contract with a commercial truckman to deliver supplies. The manager of the other association acted as truckman and handled the entire business on a straight per-gallon commission. Another association which handled only gasoline owned no equipment except a 700-gallon tank truck for

delivery purposes and two completely equipped curb pumps installed at two retail stores. The stores received a certain commission per gallon for serving members and making out sales tickets. This association had a contract with a local truckman, who owned the truck but not the delivery tank, to deliver gasoline in bulk quantities of 25 gallons or more, from a storage plant in Salem to the members' farms. The truckman was also employed to haul supplies from Salem to the two curb pumps.

Ten associations in Oregon handled petroleum products and related supplies as their principal commodities. Three of this group purchased and distributed other supplies, such as farm machinery, feed, spray material and fertilizer, in addition to petroleum products.

The average monthly sales of petroleum products for each of the nine associations from which sales data could be obtained, amounted to $2,220 during the year 1933. Each of the nine associations distributed monthly, on the average, about 11,432 gallons of gasoline. The three associations which handled other farm supplies sold about $266 worth of such supplies per month. The value of petroleum products handled by nine of the oil associations in 1933 was $130,175. In addition, these organizations sold $5,650 worth of other supplies making a total of $135,825.

The above figures do not reflect the present (1934) annual business of this group of associations since only two of the nine associations had been in operation for a full 12-month period when the field work for this study was done in May, 1934. The other seven had been in operation less than one year. If the associations had each operated on a 12-month basis with sales per month equal to the average sales for the months during which they had operated, the total business would have been approximately $240,000.

Methods of Purchasing

All of the oil associations purchased their supplies of gasoline from major oil companies and brokers, mostly in Portland. None purchased supplies through regional purchasing organizations 4/. All purchases of gasoline were delivered to the associations on a cash basis. Other supplies, such as lubricating oils, greases, tires and batteries, were purchased usually on a cash basis from a number of different sources, some from major companies in Portland, some from other distributors in Oregon, and some from wholesale cooperative associations.

4/ In the spring of 1934, the Pacific Supply Cooperative, with headquarters at Walla Walla, Wash., was organized to purchase petroleum products and other related supplies for local oil associations in Oregon, Idaho and southeastern Washington.

Most of the gasoline was purchased in less-than-carload lots, and delivery was made to the associations' storage tanks by large transport trucks. These trucks were owned by the wholesale oil companies or jobbers, and the cost of delivery to the associations' storage tanks was included in the purchase price of the commodity. Several associations purchased in carload lots from large wholesale and jobbing companies or from brokers. The wholesale and jobbing companies usually maintained marine storage plants in Portland and delivery was made from those plants. Brokers, on the other hand, had no storage facilities, and delivery was made by rail either direct from the refineries or by reconsignment from some transit point.

Price and Sales Policies

Most of the associations sold on the same price basis as the major companies operating in their territories. This method of pricing was favored because it did not create competitive friction among distributors in the communities. Only three of the associations in the oil group priced supplies lower than competitors. These three associations sold on the basis of cost plus a margin sufficient to cover operating expense. This margin, in one case, was only large enough to cover the cost of handling, while in the other two associations the margins were sufficiently large to permit payment of patronage dividends.

The cooperative oil associations did not have sales and service expenses comparable with other oil distributors. They depended in most cases for their advertising upon the presence of their plants in the communities and upon the recommendations of members. The cooperatives gave no free services such as those usually rendered by commercial companies in connection with the distribution of supplies.

Eight of the cooperative oil associations found it desirable to sell supplies to patrons on a strictly cash basis, while two extended limited credit to their patrons. One of these associations extended credit for only one load of bulk gasoline at a time, as it was understood that each delivery must be paid for before another would be made. The manager of the other association which extended credit was permitted to allow limited credit to members but was held responsible for all losses resulting from bad debts.

Delivery

Most of these organizations delivered supplies direct to members' farms by either owned trucks or hired trucks. Seven of the ten associations included farm delivery among their services; three required that members call at the plant for all supplies. It was customary to make farm deliveries only in bulk quantities - that is, in lots of 25 gallons or more. Where smaller quantities were ordered, members were usually required to call at the storage plants. One association operated a retail service station. Another sold gasoline from curb pumps. Sales made at the service station and curb pumps were in small quantities and at retail prices.

The charges or costs for rendering farm delivery service ranged between 1 cent and 2.5 cents per gallon. Three of the associations which delivered supplies had contracts with local truckmen for delivery to all points in their trade territories, at rates of 1.00, 1.25 and 1.40 cents per gallon respectively. One association which operated its own truck kept a record of delivery cost, and found that it approximated 1.6 cents per gallon. Another, which owned a delivery truck, operated at a total cost of 1 cent per gallon. This included the cost of overhead as well as delivery. The manager of one of the small associations who owned the delivery equipment, was allowed 3 cents per gallon for management and delivery of supplies. He estimated that 2.5 cents of the 3 cents was required to cover delivery costs. Another cooperative, which required its members to call at the bulk plant, sold at prices 1 cent per gallon lower than the prevailing delivered-to-farm prices.

Management

Each of the oil associations was governed by a board of five or seven directors, elected from among the members. The duties of the board were to formulate rules and regulations and to supervise and control the association generally. Meetings were held at intervals to discuss matters of interest to the association and to decide upon matters of policy. The board members either gave their service gratis or were allowed a small compensation or mileage.

Nine of the oil associations had paid managers while one was operated by a purchasing board. The managers were responsible for carrying out the policies of the respective boards of directors. They were paid on a commission basis. This commission amounted to about 1/2 cent per gallon for four of the nine associations. One manager operated a small feed mill and managed the association on a part-time basis. He was paid a commission of only 1/4 cent per gallon.

The association which was operated by a purchasing board was solely a bargaining organization. It was the duty of this board to obtain for the association the best possible prices on gasoline from Portland dealers and to contract with truckmen for delivery direct to the members' farms at the lowest rate. The association had no management cost as the members of the purchasing board made no charge for their services. Its only operating cost was 1.4 cents per gallon for delivery.

Sources of Operating Capital

Eight of the ten oil associations in Oregon were financed through the sale of common stock. The average amount of common stock outstanding was about $1,700. Only one of the eight had attempted to sell preferred stock, and it had found this method of financing unsatisfactory. One of the recently organized associations of the capital stock type had common stock subscriptions on which nothing had been paid at the time of the survey, as patrons had indicated a desire to have patronage dividends

applied to the purchase of stock. This organization had obtained its facilities and operating capital by means of notes which were secured by the assets of the association and by endorsements of the members. No other oil association had found it necessary to borrow money to carry on operations.

Only one cooperative in the oil group financed its operations through the sale of memberships. This association had 220 members who had bought life memberships at $10 each.

Facilities

The facilities and equipment found in the cooperative plants for bulk distribution of gasoline and other petroleum products consisted of: Pumping equipment and metering devices to insure accurate measurement of outgoing products; a small warehouse for storing lubricating oils, greases and other related supplies, which usually had a capacity of 1 carload; and one or more storage tanks of from 10,000 to 20,000 gallons capacity.

Only two of these associations sold gasoline at retail. One of them had a roadside service station which, although not elaborate, was sufficiently complete to render satisfactory retail service. This station consisted of a small office and oil storeroom, a covered driveway with two pumps, and equipment to supply air and water. It was located near the association's bulk plant, and was connected with the plant by a pipe line. The other association which sold at retail had two complete curb pumps with underground tanks, each installed at a private retail store, where the storekeeper handled association supplies on a commission basis.

The cost of the bulk plants ranged from $1,350 to $3,350, according to the size and completeness of the equipment. One association whose facilities consisted of a 12,000-gallon bulk tank equipped with pump, meter and meter house, and a warehouse large enough to hold one carload of oil and grease, had only $1,350 invested in plant and equipment. Another, which owned a 20,000-gallon bulk tank equipped with pump, meter and meter house, a warehouse of one carload capacity, a small roadside service station, and a 1½-ton truck with a 1,000-gallon tank capacity, had an investment of $3,350 in those facilities. The usual investment in facilities for a bulk plant was about $2,500. Plants of this value usually consisted of a 16,000-gallon storage tank with pump, meter and meter house and a warehouse of one carload capacity for oil and grease.

FEED PURCHASING ASSOCIATIONS

Twelve of the 31 cooperative associations which purchased supplies for farmers in Oregon handled principally feed and seed. The location of these associations is given in figure 1. Seven of these 12 associations, in addition to their purchasing service, marketed farm crops. The total sales value of supplies purchased by the 12 associations in 1933 appears in Table 3. It will be noted that the sales value of feed amounts to 86 percent of the total handled by these associations. An

estimate indicates that about 42,000 tons of feed were handled by the feed associations during 1933. There was a wide range in the total annual business done by each of the 12 feed organizations. One unincorporated group of farmers organized to purchase supplies on a car-door-delivery basis, sold only $4,285 worth of supplies in 1933, while another association, which handled feed for approximately 850 farmer patrons, had total sales of approximately $335,000.

Table 3. - Value of supplies distributed by 12 feed purchasing associations in Oregon, 1933

Supplies handled	Number of associations handling this item	Sales value
Feed	12	$1,061,128
Seed	6	81,829
Farm machinery	5	51,177
Other supplies	9	23,405
Fertilizer	6	19,925
Total		$1,237,464

Two of the feed associations were unincorporated groups of farmers which operated largely on a car-door-delivery basis. In one, the management was vested in a purchasing board which ordered the supplies and notified the members when shipments arrived. The members were required to pay cash in advance and to obtain their supplies at the car door. This organization also had agreements with local dealers whereby discounts ranging from 5 to 50 percent could be obtained on other supplies, by pooling orders through the association. The purchasing board covered the cost of operating the association by retaining a small portion of such discounts. No patronage dividends were paid by this organization, but it was estimated that these discounts plus the savings on feed costs amounted to fully $10,000 each year.

The other unincorporated group of farmers was organized as a membership association with annual dues of $2.50 per year. It had no paid manager or purchasing board, since the manager of a creamery acted as manager of the purchasing association and handled the supply business without charge. A section of the creamery warehouse was rented by the association for storing feed and other supplies until called for by the members. A charge of $2 per ton was made on all feed purchased to cover the expenses of unloading and handling.

The other ten feed associations were incorporated. Eight had capital stock and two were of the non-stock type. Nine were organized under the cooperative law of Oregon and one under the Oregon general corporation law. All of these associations had local service facilities and operated as business establishments.

Methods of Purchasing

Most of the feed associations purchased a large part of their grain for feed manufacturing operations from local farmers. Only the two unincorporated groups of farmers purchased ready prepared feeds. Frequently members exchanged grain for supplies. Other ingredients used in the manufacture of feed, and supplies such as farm machinery, and prepared feed and seed were purchased from jobbers, wholesale distributors or dealers, and manufacturers.

All of the feed associations bought supplies on the usual terms offered. Discounts for cash settlement were taken wherever possible. The bulk of the feed, and principal feed ingredients (except those bought locally from farmers) were purchased in carload lots. Miscellaneous supplies, such as poultry equipment, and dairy and poultry remedies, were purchased in less-than-carload lots.

Price and Sales Policies

There seemed to be no fixed policy for pricing and selling the various supplies distributed by feed associations. Competitive conditions generally governed prices. Most of the associations, however, sold at local competitive prices. A few sold at cost plus a margin sufficient to cover the expense of operation. One organization charged $2 per ton as a margin to cover operating costs. Another added 6 percent to the cost of the supplies. One unincorporated group of farmers, which had no operating expenses, distributed supplies at actual cost plus freight charges.

There was a difference of opinion regarding the desirability of selling at competitive prices as compared with selling at cost plus an operating margin. General sentiment favored the competitive price method on the ground that it resulted in less friction between local cooperatives and private dealers handling the same supplies. Both methods have the same objective -- to handle and distribute farm supplies on a "no profit" basis. Under one method the earnings were distributed in the form of patronage dividends, under the other the savings were given in the form of reduced prices at the time of purchase. Managers of associations which followed the reduced price method felt it to be more desirable because it tended to increase the volume of business. They also held that this method eliminated considerable bookkeeping expense.

Credit Policies

Three of the 12 feed associations sold supplies on a cash basis. It was the policy of the managers of the other nine associations to fully investigate applications for charge accounts before approval. Several of these associations had committees, composed of certain members of the board of directors, which passed upon applications for credit. Six of the associations, which were primarily marketing organizations, or were closely affiliated with marketing organizations, allowed members credit up to the value of the farm products delivered by them to the

association for marketing purposes. It was believed that this policy increased the volume of supply business with small risk of loss. Three associations also granted credit to individual members up to the amount of their paid-in capital stock. One association discouraged the purchase of supplies on credit by offering a discount of 2 percent for cash.

Delivery

Three of the 12 feed associations owned trucks and made deliveries to farms when requested. One made a charge sufficient to cover the cost of delivery; the other two, which were marketing organizations that operated trucks for collecting farm products, furnished delivery service free or at a small cost. Patrons of the other nine were required to call at the associations' warehouses or at the car door for their supplies.

Five of the 12 feed associations operated branch distributing warehouses where members could obtain supplies without going long distances to the main warehouse. Managers held the opinion that the majority of farmers preferred to call for their supplies rather than pay for delivery.

Management

Ten of the 12 feed associations were directed by elected boards of directors and were managed by salaried managers. The feed departments of the four associations which were primarily marketing organizations were managed by feed department managers. Of the other two associations, which were unincorporated, one was managed by a purchasing board and the other by the manager of a cooperative creamery. Neither the purchasing board nor the manager of the creamery was paid a salary or a commission for services in buying supplies.

Sources of Operating Capital

Eight of the 12 feed associations obtained their capital requirements through the sale of common stock. Two others (incorporated associations) were financed through membership fees. The two remaining organizations were unincorporated groups of farmers who obtained supplies at the car door, and who needed only small amounts of capital to finance their operations. In one, a membership fee of $2.50 per year was made of which 50 cents was retained by the association and $2 was paid for membership in a general farm organization. In the other, there was no management or other association expense; therefore, no charge for membership was made.

Only two of the eight capital stock associations had preferred stock outstanding. In one, the amount outstanding was $7,950, and in the other, $1,100. The par value of this stock was $100 per share. One other association had issued bonds amounting to $7,000.

The total outstanding common stock of three capital stock organizations which were primarily marketing associations, was $216,540. The total outstanding capital stock of the five other feed associations which operated entirely as purchasing associations, was $40,270, an average of $8,520 each. The par value of the common stock of all eight capital stock associations ranged from "no par value" to $50 per share.

The two incorporated "membership" associations, one of which was primarily a marketing organization, had collected $20,093 in membership fees. One of these, the marketing association, used most of its capital for marketing purposes. The other, which was strictly a purchasing association, had been in business since 1924 and had built up its operating capital from $1,000 at the start to about $37,000 in 1933. This association had increased its capital by a reserve fund deduction of 2 percent on sales. The former of these organizations charged $10 for a life membership; the latter $1.

Facilities

Eight feed associations owned their own warehouses, three operated in rented quarters, and one, which was a car-door association, required no warehousing facilities. The value of the warehouses owned by the associations varied widely depending upon the type and construction of building, its location with respect to railroad and business district, and the value of land in the different communities. A few of the buildings were of fireproof or semi-fireproof construction, but the majority were built of wood or wood and sheet metal.

Ten of the 12 feed associations had grinding and mixing equipment. Some of them manufactured as much as 95 percent of the feed they sold.

The facilities of the larger associations including land, warehouses and feed mill equipment, ranged in value from $15,000 to $25,000. The smaller associations had smaller investments--one valued its building and feed mill equipment at less than $5,000.

Five of the 12 associations handling feed operated branch warehouses in addition to main warehouses. These five organizations operated 10 branches in Oregon and one in Washington. (See table 1, figure 1.)

ASSOCIATIONS HANDLING MISCELLANEOUS SUPPLIES

There were nine cooperative associations in Oregon which handled miscellaneous or special lines of farm supplies, such as those used in connection with the growing, packing and marketing of fruit, and the growing and marketing of grain. Eight were primarily marketing organizations which handled supplies as a side-line activity; one was a purchasing association dealing in farm implements, lumber and coal. This group of nine associations handled nearly $650,000 worth of farm supplies in 1933. The value of the supplies distributed is shown in table 4.

Table 4. - Value of supplies distributed by 9 associations handling miscellaneous supplies, 1933

Supplies handled	Number of associations handling this item	Sales value
Fruit packing supplies	2	$259,117
Orchard supplies	4	150,660
Grain-bags and twine	3	92,160
Fertilizer	4	35,945
Farm implements and lumber	3	35,145
Fuel and petroleum products	4	24,745
Feed and seed	4	12,097
Other supplies	4	39,485
Total		$649,354

Fruit packing and orchard supplies, the two most important items, were handled principally by four fruit marketing associations. Grain-bags and twine, the next item in importance, were handled by four grain marketing associations.

The 1933 annual sales of each of the associations in the miscellaneous group ranged from approximately $3,500 for a small grain marketing association to approximately $431,000 for a large fruit marketing organization. The latter handled more than $250,000 worth of fruit packing supplies and more than $125,000 worth of orchard supplies.

All of the associations handling miscellaneous supplies were incorporated. Two were organized under the general corporation laws and seven under the cooperative statutes of Oregon. Of the cooperatively organized associations, five were of the capital stock type and two were non-stock associations. The four grain marketing associations, all of which were of the capital stock type, had a total of $85,095 of common stock outstanding among their 446 members on December 31, 1933. The par value of this stock was $30 per share. None of these grain associations had preferred stock outstanding. Three of the four fruit marketing associations, with a total membership of 2,276, were organized on the capital stock basis, and had $285,945 common stock outstanding. The par value of this stock ranged from $10 to $25 per share. One of these associations had two issues of preferred stock outstanding--one amounting to $31,890 and the other amounting to $6,450. The par values of these preferred shares were $10 and $50 respectively.

The two associations of the non-stock type in the "miscellaneous" group, one a fruit marketing association and the other a farm implement, fuel and lumber association, had $31,604 in paid-up life membership fees. The former had a membership fee of $25; the latter of $1.

Voting in associations included in the "miscellaneous" group was on the basis of one member, one vote, except in the two general corporations, where the one-share-one-vote method was followed. Two of the seven associations organized under cooperative statutes employed different voting methods. Both of these provided for voting at the first meeting on the basis of one member, one vote. After the first meeting, however, members were given additional votes based on the volume of marketing business which each had done with the association during the preceding year or season. One allowed each member one vote because of his membership, and additional votes based on the quantity of products marketed through the association. The other based its voting entirely on the quantity of grain (1,000-bushel units) marketed through the association during the preceding year.

Methods of Purchasing

Associations in the miscellaneous supply group purchased some of their supplies directly from manufacturers or dealers on contract, but the bulk of all supplies was ordered as needed from the best available sources. As a rule, certain special and much used items, such as box shook and paper wraps, were purchased on contract which covered the season's requirements. Other items, such as grain sacks, fertilizer and orchard supplies, were purchased on the open market as needed. Most of the bulky items, such as fertilizer and shook, were purchased in carload lots. The less bulky supplies and those which were handled in smaller quantities were purchased in less-than-carload lots.

All of the "miscellaneous" associations took advantage of cash discounts offered on purchases. Some managers felt that all cash discounts should be taken, even if it necessitated short-term borrowing to pay the accounts on time. Other discounts such as those offered for quantity purchases, were available only to associations doing a large volume of business.

Price and Sales Policies

Only one of the nine "miscellaneous" associations confined its business to members only. The other eight permitted nonmember business, but the amount of such business was not large. That of one association amounted to about 3 percent of its total business, of another, about 25 percent, of five others, about 10 percent of total sales.

The policy of selling supplies at local competitive prices was followed by seven of the associations. The other two sold at cost plus a certain handling charge. One of these showed a slight loss in supply department operations; the other, a slight gain.

Approximately the same method of distribution was employed by each of the associations in the miscellaneous group. All sold supplies at the warehouse door. Two offered delivery service. One operated its own delivery truck; the other had agreements with local truckmen to deliver supplies to farmer patrons at very reasonable rates on condition

that they handle the entire trucking business of the association. In both, delivery service was optional with the patrons and a small charge sufficient to cover cost of delivery was made where the service was rendered. Two associations operated branch warehouses at outlying points to serve patrons located around those points.

Credit Policies

As a general rule, no definite method of credit extension was followed by the miscellaneous associations. Three of the nine sold entirely on a cash basis, while the other six extended credit in varying amounts to members or patrons. One association extended credit to stockholders only; two, to members only; and three to any patron whose credit rating was satisfactory. In the latter case, applicants for credit were usually approved or disapproved on the basis of their local reputation for paying debts and their current financial condition. Members of marketing associations who had not received complete payment for crops which had been delivered for marketing or processing purposes were usually allowed credit up to the amount of the balances due them for their crops. One association offered its members a discount of four percent for cash payment for supplies at the time of delivery.

Management

All of the associations in the "miscellaneous" supply group were managed by salaried general managers who handled the affairs of the associations under the general direction of boards of directors. Where the business of an association was exceptionally large, assistant managers were necessary. Three associations had sufficient volume of supply business to require the services of separate managers for the supply departments.

Sources of Operating Capital

Several of the "miscellaneous" associations secured a large part of their operating funds for conducting their supply departments from their marketing operations. Marketing associations often have funds which are idle during the period before and after the marketing season. The handling of supplies often offers a satisfactory use for such idle funds. Since there is little interference between the time of distributing supplies and the marketing of crops, the combination of purchasing and marketing activities has proven quite successful.

Other associationssecured capital for supply operations by setting aside a certain percentage or amount from the sales returns on farm crops or supplies. One set aside a certain deduction for each packed box of fruit marketed, to create a fund to be used for the purchase of supplies. Another which operated on a cost-plus basis included a 2 percent charge to create a fund to be used for working capital.

Facilities

It was observed that marketing associations were able to handle supplies with very little additional investment in facilities. As a rule, sufficient warehouse space for supplies is available in the warehouses used for marketing. There is, of course, a possibility that an association may be crowded for space during the marketing or processing season but as a rule few farm supplies are needed or carried in stock at that time.

The facilities for handling supplies used by the "miscellaneous" associations, were generally the same facilities used for marketing. Ten of the 11 associations used the same warehouses and offices for the marketing of crops and the purchasing of supplies. The only one in the group which operated strictly as a purchasing association owned a large warehouse and the necessary equipment for handling coal, lumber, building material and farm implements. This association also owned land adjoining the warehouse on a railroad siding where lumber and coal were stored.

One of the nine associations owned equipment for the delivery of supplies. This was a fruit marketing and processing association which operated a truck for general purposes.